

*Ira*

TOP SECRET UMBRA

*State/WR Henry Dunay*

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1. IRAN AND THE SOVIET UNION: SEEKING MUTUAL ADVANTAGES

Iran's willingness to expand its economic links with Moscow illustrates a pragmatic streak in the Iranian Revolution. It also fits well with Soviet plans to curry Iranian favor by being forthcoming on economic matters, while trying to convince Tehran that Moscow is not a threat to Iran or the Revolution. The Soviets are unlikely to make significant progress in improving political relations, however, at least as long as they follow present policies in Afghanistan.

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Tehran appears to believe that its economic and political relations with the Soviet Union can be separated. Iran's political attitudes are summarized by a declaration that it supports "neither East nor West," by its continued condemnation of the Soviet occupation of Afghanistan, and by Khomeini's general hostility to communism. The Soviets, however, have not been vilified to the degree that the US has.

Tehran has been willing to put aside ideology in its economic dealings with Moscow:

- Soviet economic advisors are still working in the country;
- A new transit agreement has been ratified;
- The Russian bank has not been nationalized (other foreign banks have);
- Iranian purchases of Soviet goods have increased; and
- On natural gas, the issue is not whether Iran should sell gas, but one of price, a problem which probably will be resolved.

In the coming months, the Soviets will continue to try to strengthen their economic position in Iran. Concurrently, Moscow will try to convince Tehran that the issue of Afghanistan is inseparably linked to "imperialist" machinations in the region and that the Brezhnev Persian Gulf proposals and the May 14 Afghan peace plan offer a comprehensive framework in which all of the region's problems can be solved.

This Soviet effort is not apt to achieve clear or positive results. Moderates such as Bani-Sadr and Ghotbzadeh seem fearful of Soviet intentions and concerned about the strength of the Tudeh Party. The hardliners also have their doubts about Moscow's intentions, but they have not banned the Tudeh Party paper and are willing to let Tudeh members ride their coattails. Both sides are willing to accept closer ties.